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United Nations Institute for Training and Research

Financial report and audited financial statements

for the year ended 31 December 1997 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-third Session
Supplement No. 5D (A/53/5/Add.4)

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United Nations • New York, 1998

Note

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Letters of transmittal

26 June 1998

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit the annual accounts of the United Nations Institute for Training and Research at 31 December 1997, which I hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

Accept, Sir, the assurances of my highest consideration.

(Signed) Marcel **Boisard**
Executive Director
United Nations Institute for Training and Research

The Chairman
The Board of Auditors
United Nations
New York

15 July 1998

Sir,

I have the honour to transmit to you the financial statements of the United Nations Institute for Training and Research for the financial period ended 31 December 1997, which were submitted by the Executive Director. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) Vijay Krishna **Shunglu**
Comptroller and Auditor General of India
and Chairman
United Nations Board of Auditors

The President of the General Assembly of the United Nations
New York, N.Y.

Chapter I

Financial report for the year ended 31 December 1997

Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts for the year ended 31 December 1997, of the United Nations Institute for Training and Research (UNITAR). This report is presented in accordance with article IV, subparagraph 3 (i), of the statute of the Institute.

Statement I. Statement of income and expenditure and changes in reserves and fund balances

General Fund

2. The amount of $356,759 shown in statement I was paid by Governments and various donors as contributions to the General Fund for 1997 and payment of outstanding pledges. In addition, $6,716 was received under interorganization arrangements, $541,805 under programme support income and $94,512 under interest and other income, bringing the total income to $999,792. Expenditure for the year amounted to $787,960, which resulted in an excess of income over expenditure of $211,832. The prior period adjustment of $78,582 reduced the excess to $133,250. The reserve and fund balance at the end of the year amounted to $549,308.

Special Purpose Grants Fund

3. A total amount of $3,822,154 was received as grants. Total income in this fund was $4,050,205 after inclusion of interest income and miscellaneous income. Total expenditure was $4,465,128, resulting in a shortfall of income over expenditure of $414,923 for Special Purpose Grants taken as a whole. The prior period adjustment of $69,616 decreased the shortfall of income over expenditure to $345,307. After inclusion of savings on prior period's obligations of $426,829, the fund balance amounted to $2,567,783.

Activities financed by the United Nations Development Programme

4. The total amount allocated by United Nations Development Programme (UNDP) was $1,051,449. Total expenditure amounted to $1,051,449, including programme support costs of $116,018.

Statement II. Statement of assets, liabilities, reserves and fund balances

General Fund

5. The assets of the General Fund amounted to $636,930. Accounts receivable amounted to $135,966. Liabilities consisted of unliquidated obligations of $77,023, accounts payable of $10,599. The operating reserve amounted to $118,192, and the cumulative surplus to $431,116.

Special Purpose Grants Fund

6. Total assets of $3,337,247 included cash of $3,118,296, accounts receivable of $125,084, inter-fund balances receivable of $54,777 and remittance to executing agencies of $39,090. Liabilities consisted of unliquidated obligations of $769,464.

7. The balance relating to projects funded by donors was $2,567,783 as at 31 December 1997.

Activities financed by the United Nations Development Programme

8. Assets consisted of cash of $1,175,511, other accounts receivable of $32,235 and unspent allocations of $358,242.

9. Liabilities included contributions received in advance from UNDP of $572,860, other liabilities of $358,242 (deferred income), unliquidated obligations of $594,491, and inter-fund balances payable of $40,395.

Statement IV. General Fund: status of expenditure against the approved budget

10. Statement IV gives the status of expenditure against the approved budget for the year ended 31 December 1997. Total expenditures amounted to $787,960. The breakdown of expenditure by major object of expenditure is as follows:

	United States dollars	*Percentage*
Staff and other personnel costs[a]	542 606	68.86
Travel	33 943	4.31
Contractual services	18 296	2.32
Operating expenses	183 187	23.25
Acquisitions	8 317	1.06
Other	1 611	0.20
Total	**787 960**	**100.00**

[a] Includes fixed-term and short-term staff, individual contractors, and consultants' fees and travel.

Write-off of losses of cash and receivables

11. There were no write-offs during the year ended 31 December 1997.

Chapter II

Report of the Board of Auditors

Summary

The Board of Auditors has audited the operations of the United Nations Institute for Training and Research (UNITAR). The Board also validated the financial statements of UNITAR for the year ended 31 December 1997, and conducted two management audits, covering the establishment of a Recruitment and Promotion Board and the procurement procedures.

The Board's main findings are:

(a) As requested by the General Assembly, UNITAR is to review the implication of submitting biennial, rather than annual, reports;

(b) UNITAR resolved its dispute with United Nations Headquarters concerning $94,382 in charges incurred in New York after UNITAR moved to Geneva in 1993;

(c) The Special Purpose Grants Fund had a shortfall of income over expenditure of $414,923 in 1997 (before prior period adjustments), compared with a surplus of $853,311 in 1996. In March 1998, the United Nations agreed to cancel 11 long outstanding deficits totalling $283,215 on the Special Purpose Grants Fund;

(d) The Institute's proposals for merit-based promotions were less exacting than the procedures established in other United Nations organizations;

(e) UNITAR plans to set up a formal performance management system to allow the monitoring of staff performance in a more systematic way, based on clearly defined work plans and programme achievements, and to serve as the basis for the Executive Director to submit cases for staff promotion to the UNITAR Appointment and Promotion Board;

(f) From 1 April 1997, the Director-General of UNOG delegated authority to UNITAR for procurement below $25,000. The Board found the procurement procedures were in accordance with United Nations financial rules;

(g) In general, the new procurement procedures resulted in a quicker, improved service; however, the new procedures did not allow UNITAR to take full advantage of the information, technical expertise and resources of the Purchase and Transportation Section of the United Nations Office at Geneva. The Section is considering new procurement practices to provide more flexibility for small purchases.

Key recommendations made in the report are that UNITAR should:

(a) Seek clarification of the regularity of the planned promotions procedures from the Office of Legal Affairs before implementation;

(b) Review its procurement operations in the light of the new procurement practices to be introduced by the United Nations Office at Geneva.

A list of the Board's main recommendations is included in paragraph 10 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Institute for Training and Research (UNITAR) for the period from 1 January 1997 to 31 December 1997, in accordance with article VIII, paragraph 12, of the statute of UNITAR. The audit was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January 1997 to 31 December 1997 had been incurred for the purposes approved by the governing bodies; whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations; and whether the financial statements of UNITAR presented fairly the financial position at 31 December 1997. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under regulation 12.5 of the Financial Regulations and Rules of the United Nations. The reviews primarily concern the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNITAR. In 1997, the Board examined the proposal to set up an Appointment and Promotion Board and how UNITAR managed its procurement procedures.

4. The Board continued its practice of reporting the results of specific audits in management letters containing detailed observations and recommendations to the Administration.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration whose views, where appropriate, have been reflected in the present report.

6. The Board's principal recommendations are presented in paragraph 11 below. The detailed findings are reported in paragraphs 11 to 42.

1. Previous recommendations not fully implemented

7. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has highlighted separately the following recommendation which has not been fully implemented by UNITAR.

8. In 1994, 1995 and 1996, the Board commented on the Administration's failure to prepare a comprehensive and up-to-date inventory of non-expendable property and to reconcile this with the records of the Purchase and Transportation Section of the United Nations Office at Geneva. During 1997, UNITAR made significant progress in completing its inventory, and by July 1997 had started to reconcile the results with the Purchase and Transportation Section records. However, in its February 1998 review, the Board found insufficient documentary evidence to confirm the completion and accuracy of the

reconciliation. UNITAR informed the Board that it would improve the supporting documentation and carry out a reconciliation with the Section every year.

9. The Board carried out a review of the measures taken by UNITAR in response to the other recommendations made by the Board in its audit report for the year ended 31 December 1996. Details of the actions taken and the comments of the Board are set out in the annex to the present report.

2. Main recommendations

10. The Board's main recommendations are that UNITAR should:

(a) Carry out periodic reconciliations between its accounting information system and the independent records of the United Nations Office at Geneva (para. 23);

(b) Take action to clear inter-office vouchers identified as outstanding in the year-end reconciliation between UNDP and UNITAR accounting records (para. 26);

(c) Ensure that inter-office vouchers are immediately transferred to the United Nations Office at Geneva for recording (para. 27);

(d) Seek clarification of the regularity of the planned promotions procedures from the Office of Legal Affairs before implementation (para. 33);

(e) Document the performance assessment procedures to ensure transparency (para. 34);

(f) Review its procurement operations in the light of the new procurement practices to be introduced by the United Nations Office at Geneva (para. 40).

B. Financial issues

1. United Nations accounting standards

11. The General Assembly, in decision 51/453 of 18 December 1996, took note of the report of the Secretary-General containing the revised United Nations accounting standards (A/51/523). The standards include formats for financial statements and have been updated (see ACC/1997/14). The Board of Auditors confirmed that UNITAR had generally applied the revised accounting standards for the financial year ended 31 December 1997, except that the value and method of valuation of non-expendable equipment were not disclosed in the notes to the accounts.

2. Change to biennial reporting

12. The General Assembly, in its resolution 52/212 of 22 December 1997, endorsed the request of the Advisory Committee on Administrative and Budgetary Questions that the Executive Director of UNITAR should consult with the Board of Auditors on the implication of submitting biennial reports instead of annual reports, and report thereon to the General Assembly at its fifty-third session. The Board encourages UNITAR to take this matter forward and to consult with the Board as requested.

3. General Fund

13. In its reports on UNITAR financial statements in 1994, 1995 and 1996, the Board stressed the importance of safeguarding the long-term future of the General Fund through continued efforts to control costs and attract additional funds. In 1997, UNITAR achieved

a reduction in expenditure, exceeding by $59,300 the target of $130,727 expenditure reduction set in the 1997 budget.

14. The excess of income over expenditure of $211,832 in the General Fund for 1997 represented an improvement over 1996, when there was a shortfall of $254,633. This was mainly achieved by a decrease in staff and other personnel costs ($542,606 in 1997, compared with $760,020 in 1996), resulting from staff reductions and the transfer of staff costs to Special Purpose Grants Fund projects financed by donor contributions. In addition, there was a significant increase in income ($999,792 in 1997, compared with $723,354 in 1996). This was mainly a result of a new contribution of $100,000 from one donor country and increased programme support income arising from Special Purpose Grants Fund projects.

15. As a result, total reserves and fund balances increased to $549,308 at the end of 1997. UNITAR considers that the operating reserve of $118,192 was sufficient to cover the potential termination costs that might arise in respect of staff whose posts are financed by the General Fund.

4. Clearance of outstanding charges incurred at United Nations Headquarters

16. In its 1996 report, the Board of Auditors commented on the need to clear deferred charges of $114,025 for expenditure incurred at United Nations Headquarters on behalf of UNITAR. These were included in "other accounts receivable" in the assets and liabilities statement for the General Fund. At the end of 1997, these deferred charges had been reduced to $113,619. The Board notes that in March 1998 the United Nations agreed to accept $94,382 of this amount, and UNITAR agreed to accept the remainder as charges proper to UNITAR.

5. Special Purpose Grants Fund

17. The income and expenditure statement for the Special Purpose Grants Fund (statement I) shows that in 1997 the Fund had a shortfall of $414,923 (before prior period adjustments), compared with a surplus of $853,311 in 1996. Voluntary contributions decreased (from $4,429,998 in 1996 to $3,822,154 in 1997) owing, in part, to donors making contributions in 1996 that covered projects of over one year's duration. However, the Board emphasizes the need to secure sufficient income to meet costs.

18. In 1997, despite the shortfall of income over expenditure, the balance of the Special Purpose Grant Funds increased by $81,522 (from $2,486,261 to $2,567,783) owing to the cancellation of obligations outstanding at the end of 1996 ($426,829), and to prior period adjustments of $69,616.

19. Statement V shows that 16 out of 73 projects had deficit balances totalling $369,133 at year-end. Eleven of these projects, with deficits totalling $283,215, have been outstanding for more than six years and have been the subject of protracted discussions between UNITAR and United Nations Headquarters. The Board noted that in March 1998 the United Nations had agreed to cancel the latter long outstanding deficits under General Assembly resolution 47/227 of 8 April 1993, in which effectively the Assembly wrote off the Institute's accumulated debt to the United Nations General Fund in return for the transfer of the UNITAR New York headquarters building.

20. For the remaining 5 of the 16 projects in deficit, the Board noted that the total deficit had decreased from $97,721 at the end of 1996 to $85,918 at the end of 1997. UNITAR achieved this improvement through donor contribution and, with the agreement of donors, amalgamating three of the projects with similar ones that were in surplus.

21. Statement V also shows two new deficits in 1997 (totalling $24,400) because of misposted project income ($23,024) and an obligation ($1,376) that should have been liquidated by year-end. UNITAR has indicated that it will eliminate these deficits in 1998. As noted in its 1996 report, however, the Board urges UNITAR to ensure that it obtains funds for all Special Purpose Grants Fund projects in advance, before expenditure is incurred.

22. UNITAR has informed the Board that it has implemented an accounting information system to provide improved monitoring of project income and expenditure. This should help prevent UNITAR from making financial commitments without sufficient donor funds.

23. To provide proper budgetary control over project expenditure, the Board recommends that UNITAR carry out periodic reconciliations between its accounting information system and the independent records of the United Nations Office at Geneva.

6. Accounting for United Nations Development Programme projects

24. UNITAR acts as the executing agency for projects financed by UNDP, which provides UNITAR with fund allocations against which UNITAR can charge project expenditures. As UNDP field offices meet significant elements of these expenditures, UNDP submits monthly operating fund statements detailing its record of expenditures on these projects. However, there have been significant delays in the receipt by UNITAR of inter-office vouchers from UNDP field offices.

25. The Board noted that the year-end reconciliation between UNDP and UNITAR accounting records identified outstanding inter-office vouchers with a net value of $51,214 that had still to be cleared (analysed in table 1). Furthermore, these amounts excluded vouchers transferred to Geneva after 11 December 1997.

Table 1
Outstanding inter-office vouchers from United Nations Development Programme/Institute records
(United States dollars)

	Pre-1993	*1993*	*1994*	*1995*	*1996*	*1997*	*Total*
Net amount	11 761	12 955	145	4 623	12 208	9 522	51 214

26. The Board is concerned that long outstanding inter-office vouchers may represent expenditure on closed projects that would be difficult to recover from the donors. **It recommends that action be taken to clear the outstanding inter-office vouchers.**

27. The Board understands that, in future, UNITAR will request inter-office vouchers to be sent directly to UNITAR, instead of the transfer of funds to UNDP. To ensure that proper budgetary control is maintained, **the Board recommends that inter-office vouchers be transferred immediately to the United Nations Office at Geneva for recording.**

7. Write-off of losses of cash, receivables and property, and ex gratia payments

28. UNITAR has recorded no write-offs of losses of cash, stores or other assets. UNITAR also reported that no ex gratia payments were made during the year.

C. Management issues

1. Merit-based appointment and promotion

Appointment and Promotion Board

29. Upon its transfer from New York to Geneva in 1993, UNITAR discontinued its own Appointment and Promotion Board and instead relied on the Appointment and Promotion Board of the United Nations Office at Geneva. In March 1997, the UNITAR Board of Trustees decided to reconstitute an appointment and promotion board that would supervise UNITAR recruitment and promotion and, in July 1997, the Executive Director produced a draft policy note on the implementation of a merit-based appointment, promotion and placement policy for UNITAR staff. UNITAR planned the first meeting of the Appointment and Promotion Board for February 1998 to consider the procedural methods of the Board.

30. The purpose of the Appointment and Promotion Board as identified by the Executive Director in paragraph 3 of his policy document, was to implement a merit-based appointment and promotion system that linked promotion to post classification and focused on merit rather than seniority.

31. Under the Institute's previous arrangement, the mechanism for promotion of General Service staff to Professional was to pass a competitive examination. It was planned that the Appointment and Promotion Board would consider proposals for promotion from the General Service to the Professional category without the need for the examination.

32. In his draft policy document on the Appointment and Promotion Board, the Executive Director drew attention to the fact that five staff members had performed in established posts that were at a higher level than their currently held ranks. The incumbents, however, did not have sufficient length of service or qualifications to be upgraded under the existing promotion criteria. The Director proposed that the Board would consider as an immediate priority the retroactive promotion of these staff, based on merit rather than seniority. UNITAR estimated that the cost of the promotions from January 1996 until January 1997 would be $42,000 with further payments required for 1997.

33. The Board noted that article I of the UNITAR statute establishes UNITAR as an autonomous institution, while article IV requires that the terms and conditions of service of the staff shall be those provided by the Staff Regulations and Rules of the United Nations. The Board is concerned, therefore, that the UNITAR planned promotions procedures were not consistent with those employed by the United Nations, for example, promotion to the Professional category without qualifying through the competitive examination, and retroactive awards. **The Board recommends that clarification be sought from the Office of Legal Affairs before implementation.**

Performance appraisal

34. The Board notes the Institute's plan to establish a formal performance management system in order to allow the monitoring of staff performance in a more systematic way, based on clearly defined work plans and programme achievements, and to serve as the basis for the Executive Director to submit cases for staff promotion to the UNITAR Appointment and Promotion Board. The Board considers that, as part of the development of the appraisal procedures, the expected standard of future performance should be firmly established before the appraisal period commences and performance is evaluated. The Board found that no detailed performance assessment procedures had been agreed and documented. **The Board recommends that the assessment procedures be documented to ensure transparency.**

35. In this respect, the Board suggests that UNITAR follow the generally accepted set of criteria for an effective appraisal system (in accordance with guidance from the International Civil Service Commission. The criteria suggest that the performance appraisal system should be as simple as possible and be structured to provide clear communication between staff about the expected and actual performance; performance ratings should be applied objectively and accurately; there should be an automatic process for review and approval of the performance ratings; and the consequences for different levels of performance should be known to staff.

2. Procurement management

Introduction

36. From 1 April 1997, the Director-General of the United Nations Office at Geneva delegated authority to UNITAR to enter into contracts for the purchase, rental or sale of services, equipment and other requirements up to the value of $25,000 in a single transaction or series of related requisitions. Previously these activities were carried out by the Purchase and Transportation Section of the United Nations Office at Geneva on behalf of UNITAR.

37. The Board reviewed purchases carried out by UNITAR staff for the period from May 1997 to November 1997. Table 2 shows that, for the period under review, UNITAR processed 45 separate purchase orders with a total value of $58,196. The Board reviewed the new procurement control procedures and the cost-effectiveness of the procurement operation.

Table 2
Procurement activity from 22 May to 20 November 1997
(United States dollars)

Total value of purchase order	*Number processed*		*Total value*	
	Number	*Percentage*	*Value*	*Percentage*
Less than $500	30	68	7 694	13
$501–$1,000	2	4	1 149	2
$1,001–$5,000	11	24	27 550	47
$5,001 plus	2	4	21 803	38
Total	**45**	**100**	**58 196**	**100**

Overall assessment

38. The Board found that the procurement procedures were in accordance with the Financial Rules of the United Nations. In particular the Board welcomes the guidelines produced by UNITAR requiring three vendor proposals prior to the selection of supplier. However, the Board noted that proposals from vendors did not always relate to similar specifications. The Board considers that there was more scope for UNITAR to align vendors' proposals in their specifications and validity, before making final selections.

39. The Board noted that, in general, the new procurement procedures resulted in a quicker service for items urgently required; improved direct feedback from suppliers, including product advice; and closer links directly with suppliers, resulting in provision of products more suited to needs. However, the Board considered that, owing to the Institute's inability to access the database and product range of the United Nations Office at Geneva, it was

time-consuming for UNITAR to identify suppliers and carry out the bidding procedure; and technical knowledge was necessary for specialized purchases, such as publications.

40. The Board noted that the Purchase and Transportation Section of the United Nations Office at Geneva is currently considering new procurement practices to provide more flexibility for small purchases below an agreed threshold and a volume purchase agreement to supply all other such purchases on the basis of a monthly invoice. **The Board recommends that, when this new system becomes operational, UNITAR review its own operations to assess whether it continues to be cost-effective to undertake low-value procurement, rather than use the services of the Purchase and Transportation Section.**

3. Cases of fraud and presumptive fraud

41. The UNITAR secretariat reported no cases of fraud or presumptive fraud relating to the financial year 1997.

D. Acknowledgement

42. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to its auditors by the staff of UNITAR and the United Nations.

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor General
of India

(Signed) Osei Tutu **Prempeh**
Auditor-General of Ghana

(Signed) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

15 July 1998

Annex

Follow-up on action taken by the United Nations Institute for Training and Research to implement the recommendations of the Board of Auditors in its report for the year ended 31 December 1996[a]

Recommendation 10 (a)

1. UNITAR should liaise with United Nations Headquarters to agree on the treatment of long-standing charges.

Measures taken by the Institute

2. This long-standing issue has been solved by a decision made by the United Nations Controller who has reviewed all elements concerning UNITAR debt prior to the adoption of General Assembly resolution 47/227 and informed UNITAR that the amount due can be included as part of the cancelled debt. He also decided that the charges incurred after UNITAR left its New York headquarters and vacated the building should be borne by the United Nations.

Comments of the Board

3. The Board welcomes the resolution of this long-outstanding matter.

Recommendation 10 (b)

4. UNITAR should carry out a review of the collectability from donors of amounts outstanding on Special Purpose Grants Fund projects and take appropriate action to clear any amounts deemed uncollectible.

Measures taken by the Institute

5. Since the adoption of General Assembly resolution 47/227 and the start of the Institute's restructuring process up to the end of 1996, only three Special Purpose Grant Funds have an amount outstanding. UNITAR has begun a review of collectability of the amounts due by three donors with the view to finalizing this issue in the immediate future.

Comments of the Board

6. The Board welcomes the improvement achieved and encourages UNITAR to continue its action to clear the remaining deficits.

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[a] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5D* (A/52/5/Add.4), chap. II, paras. 10 and 11.

Recommendation 10 (c)

7. UNITAR should reconcile its computer inventory with that maintained by the Purchase and Transportation Section and compile a comprehensive inventory of non-computer equipment at the earliest possible opportunity.

Measures taken by the Institute

8. The recommendation was fulfilled in 1997.

Comments of the Board

9. The Board welcomes this improvement.

Recommendation 11 (a)

10. The Board recommends that UNITAR ensure that in all cases a strategy document is established for each programme, similar to that drawn up for the National Action Plans and the National Pollutant Release and Transfer Registers programmes. This should set out the training activities to meet identified needs and ensure self-reliance and sustainability, together with the expected timescale and resource requirements.

Measures taken by the Institute

11. The recommendation was fulfilled in 1997. Each programme designs a strategy paper after the pilot phase.

Comments of the Board

12. The Board will review the position in its future audits in the light of the improvements made by the Administration.

Recommendation 11 (b)

13. The Board recommends that UNITAR improve the documentation supporting the selection of pilot countries and partner institutions.

Measures taken by the Institute

14. The recommendation was largely fulfilled in 1997, taking into account the necessity of not overloading the programmes with the task of compiling documents, the time and funds dedicated to the end being detrimental to the training activities.

Comments of the Board

15. The Board notes the Institute's objectives and in future audits will review the progress made in documenting the selection procedure.

Recommendation 11 (c)

16. The Board recommends that UNITAR ensure that there are clear linkages between its training events and the specific objectives of the relevant programme.

Measures taken by the Institute

17. Action on the recommendation was completed in 1997, in particular by integrating the recommendation of the Auditors into the strategic paper having been designed to give a coherent framework (see para. 11 above).

Comments of the Board

18. The Board will consider the linkages between training events and the relevant programme in future audits.

Recommendation 11 (d)

19. The Board recommends that UNITAR clearly record its assessment of the extent to which pilot projects added value to the programmes and contributed to the achievements of the programmes.

Measures taken by the Institute

20. Recommendation under completion by introduction of a system illustrating the direct correlation between the "recommendations" indicated in internal and external reports and reviews of the pilot programme. For all future programmes involving pilot phases, UNITAR will try to demonstrate that the pilot approach contributed to the success of the programme, by underlining (a) modified "objectives", "actions", "budget", etc., in subsequent programme phase proposals; and (b) "outputs" and "impacts" as indicated in internal and external reports and reviews of subsequent programme phases.

Comments of the Board

21. The Board considers that UNITAR should be able to demonstrate that the pilot approach contributed to the success of the programmes; that the selection of pilot countries has been appropriate; and that the significant costs of the pilots were justified. The Board will review the progress made by UNITAR in using pilot schemes to strengthen future programmes.

Chapter III
Audit opinion

We have audited the accompanying financial statements, comprising statements I to V, schedule 1.1 and the supporting notes of the United Nations Institute for Training and Research for the financial period ended 31 December 1997. The financial statements are the responsibility of the Executive Director. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, and as considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Director, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1997 and the results of operations and cash flows for the period then ended in accordance with the Institute's stated accounting policies set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the Institute, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and the legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long form report on our audit of the Institute's financial statements.

(Signed) Vijay Krishna **Shunglu**
Comptroller and Auditor General of India

(Signed) Osei Tutu **Prempeh**
Auditor-General of Ghana

(Signed) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

15 July 1998

Chapter IV
Certification of the financial statements

26 June 1998

I certify that the appended financial statements of the United Nations Institute for Training and Research, numbered I to V, are fairly stated.

(Signed) Jean-Pierre **Halbwachs**
Assistant Secretary-General
Controller

Chapter V

Accounts for the year ended 31 December 1997

Statement I

Income and expenditure and changes in reserves and fund balances for the year ended 31 December 1997

(United States dollars)

	General Fund		OTHER ACTIVITIES			
			Special Purpose Grants Fund		Activities financed by UNDP	
	1997	1996	1997	1996	1997	1996
INCOME						
Grants	-	-	3,822,154 b/	4,429,998	-	-
Voluntary contributions received	356,759 a/	248,209	-	-	-	-
Received under inter-organization arrangements	6,716	-	-	-	1,051,449	728,317
Other/Miscellaneous income						
Interest income	24,234	19,259	209,172	164,477	-	-
Programme Support income	541,805	441,230	-	-	-	-
Other/ Miscellaneous	70,278	14,656	18,879	21,382	-	-
TOTAL INCOME	999,792	723,354	4,050,205	4,615,857	1,051,449	728,317
EXPENDITURE						
Staff and other personnel costs	542,606	760,020	1,834,906	1,823,610	157,239	249,671
Travel	33,943	29,841	350,124	217,258	65,147	21,612
Contractual services	18,296	21,952	165,704	168,971	184,819	169,844
Operating expenses	183,187	153,430	144,994	128,561	561	523
Acquisitions	8,317	12,744	25,814	18,556	-	9,281
Fellowships, grants and other	1,611	-	1,517,799	1,048,149	527,665	193,597
Total Direct Expenditure	787,960	977,987	4,039,341	3,405,105	935,431	644,528
Programme support costs	-	-	425,787	357,441	116,018	83,789
TOTAL EXPENDITURE	787,960	977,987	4,465,128 b/	3,762,546	1,051,449	728,317
Excess (shortfall) of income over expenditure	211,832	(254,633)	(414,923)	853,311	-	-
Prior period adjustments	(78,582)	36,013	69,616	(92,137)	-	-
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	133,250	(218,620)	(345,307)	761,174	-	-
Transfers (to) from other funds	-	398	-	(398)	-	-
Refund to donors	(2,220)	-	-	(33,368)	-	-
Savings on or liquidation of, prior periods' obligations	25,289	60,656	426,829	99,844	-	-
RESERVES AND FUND BALANCES, BEGINNING OF PERIOD	392,989	550,555	2,486,261 b/	1,659,009	-	-
RESERVES AND FUND BALANCES, END OF PERIOD	549,308	392,989	2,567,783 b/	2,486,261	-	-

a/ See Schedule 1.1. In accordance with Article VIII, paragraph 3 of the revised Statue of UNITAR (A/43/697/Add.1), only paid in contributions are included in the current year income.

b/ For details by project, see Statement V.

The accompanying notes are an integral part of the financial statements.

Schedule 1.1

General Fund. voluntary contributions at 31 December 1997

(United States dollars)

	Pledges receivable as at 1 January 1997	ADD Voluntary contributions for 1997 and adj. of prior per	ADD Pledges for future years	LESS Collection 1997	LESS Loss (gain) on exchange	Pledges receivable as at 31 December 1997
Countries						
Argentina	-	10,000	-	10,000	-	-
Chile	-	5,000	-	5,000	-	-
China	-	10,000	-	10,000	-	-
Cyprus	-	1,612	-	1,612	-	-
Czech Republic	18,587	-	-	14,927	3,660	-
Egypt	-	6,000	-	6,000	-	-
Ghana	-	5,000	-	5,000	-	-
Greece	-	6,000	-	6,000	-	-
Indonesia	-	4,000	-	4,000	-	-
Ireland	-	25,000	-	25,000	-	-
Japan	-	100,000	-	100,000	-	-
Kuwait	-	20,000	-	20,000	-	-
Mexico	-	5,000	-	5,000	-	-
Nigeria	-	45,893	-	45,893	-	-
Pakistan	-	26,543	-	26,543	-	-
Paraguay	-	500	-	500	-	-
Sri Lanka	-	974	-	974	-	-
Switzerland	-	50,676	-	50,676	-	-
Thailand	-	2,000	-	2,000	-	-
Tunisia	-	2,091	-	2,091	-	-
United Republic of Tanzania	-	637	-	637	-	-
Subtotal	18,587	326,926	-	341,853	3,660	-
Public donations	-	14,906	-	14,906	-	-
Subtotal	-	14,906	-	14,906	-	-
TOTAL	18,587	341,832	-	356,759	3,660	-
Recapitulation by year						
1996	18,587	-	-	14,927	3,660	-
1997	-	341,832	-	341,832	-	-
Future years	-	-	-	-	-	-
Total	18,587	341,832	-	356,759	3,660	-

The accompanying notes are an integral part of the financial statements.

Statement II

Assets, liabilities, reserves and fund balances at 31 December 1997

(United States dollars)

	General Fund		OTHER ACTIVITIES			
			Special Purpose Grants Fund		Activities financed by UNDP	
	1997	1996	1997	1996	1997	1996
ASSETS						
Cash and term deposits	492,598	284,531	3,118,296	3,233,167	1,175,511	1,108,580
Pledged contributions receivable	-	18,587	-	-	-	-
Inter-fund balances receivable	8,366	60,453	54,777	-	-	-
Other accounts receivable	135,966	130,128	125,084	101,725	32,235	25,780
Other assets						
Operating funds provided to executing agencies	-	-	39,090	68,024	-	-
Unspent allocations	-	-	-	-	358,242	384,426
TOTAL ASSETS	636,930	493,699	3,337,247	3,402,916	1,565,988	1,518,786
LIABILITIES						
Contributions or payments received in advance	-	-	-	-	572,860	773,503
Unliquidated obligations	77,023	73,218	769,464	841,772	594,491	353,732
Accounts payable	-	-	-	64,351	40,395	7,125
Inter-fund balances	10,599	8,905	-	10,208	-	-
Other	-	18,587	-	324	358,242	384,426
Other liabilities						
Deferred income	-	-	-	-	-	-
TOTAL LIABILITIES	87,622	100,710	769,464	916,655	1,565,988	1,518,786
RESERVES AND FUND BALANCES						
Operating reserve	118,192	146,462	-	-	-	-
Balances relating to projects funded by donors	-	-	2,567,783	2,486,261	-	-
Cumulative surplus (deficit)	431,116	246,527	-	-	-	-
TOTAL RESERVES AND FUND BALANCES	549,308	392,989	2,567,783	2,486,261	-	-
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	636,930	493,699	3,337,247	3,402,916	1,565,988	1,518,786

The accompanying notes are an integral part of the financial statements.

Statement III

Cash flows for the year 1997 as at 31 December 1997

(United States dollars)

	General Fund		Special Purpose Grants Fund		Activities financed by UNDP	
	1997	1996	1997	1996	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES						
Net excess (shortfall) of income over expenditures (Statement I)	133,250	(218,620)	(345,307)	761,174	-	-
(Increase) decrease in contributions receivable	18,587	64,436	-	-	-	-
(Increase) decrease in other accounts receivable	(5,838)	6,930	(23,359)	(18,313)	(6,455)	93,131
(Increase) decrease in other assets	-	-	28,934	-	26,184	(314,486)
Increase (decrease) in accounts payable	1,694	4,150	(10,208)	9,823	-	(51,886)
Increase (decrease) in unliquidated obligations	3,805	(69,714)	(72,308)	459,553	240,759	314,030
Increase (decrease) in other liabilities	(18,587)	(64,436)	(324)	324	(226,827)	314,486
Less Interest income received	(24,234)	(19,259)	(209,172)	(164,477)	-	-
NET CASH FROM OPERATING ACTIVITIES	108,677	(296,513)	(631,744)	1,048,084	33,661	355,275
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES						
(Increase) decrease in inter-fund balances receivable	52,087	(60,453)	(54,777)	-	-	-
Increase (decrease) in inter-fund balances payable	-	(3,573)	(64,351)	64,351	33,270	7,125
Plus Interest income received	24,234	19,259	209,172	164,477	-	-
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	76,321	(44,767)	90,044	228,828	33,270	7,125
CASH FLOWS FROM OTHER SOURCES						
Savings on or liquidation of, prior periods' obligations	25,289	60,656	426,829	99,844	-	-
Other adjustments to fund balance	(2,220)	398	-	(33,766)	-	-
NET CASH FROM OTHER SOURCES	23,069	61,054	426,829	66,078	-	-
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	208,067	(280,226)	(114,871)	1,342,990	66,931	362,400
CASH AND TERM DEPOSITS AT BEGINNING OF PERIOD	284,531	564,757	3,233,167	1,890,177	1,108,580	746,180
CASH AND TERM DEPOSITS AT END OF PERIOD	492,598	284,531	3,118,296	3,233,167	1,175,511	1,108,580

The accompanying notes are an integral part of the financial statements

Statement IV

General Fund. status of expenditure against the budget for the year ended 31 December 1997

(United States dollars)

Budget classification	*Approved unobligated budget*	*Expenditure*			*Balance*
		Disbursements	*Unliquidated obligations*	*Total*	
Administration	913 300	710 937	77 023	787 960	125 340

The accompanying notes are an integral part of the financial statements.

Statement V

Special Purpose Grants Fund: income, expenditure and fund balances for the year ended 31 December 1997

(United States dollars)

Projects	*Fund balance 1 January 1997*	*Income from grants*	*Other income and adjustments*[a]	*Funds available*	*Expenditure*			*Fund balance 31 December 1997*
					Disbursements[b]	*Unliquidated obligations*	*Total expenditure*	
Convertible currencies								
Training programme for disaster relief managers in the Sahel countries	52 817	—	64 015	116 832	22 769	19 997	42 766	74 066
Emergency settlement	80 457	—	(64 205)	16 252	11 513	3 250	14 763	1 489
Fellowship programme in peacemaking and preventive diplomacy	271 921	163 335	34 056	469 312	199 113	30 482	229 595	239 717
Training programme on legal aspects of debt management (sub-Saharan Africa)	12 437	430 000	67 426	509 863	327 925	86 214	414 139	95 724
Training programme on legal aspects of debt management (Egypt)	6 522	—	204	6 726	5 522	—	5 522	1 204
Training programme on legal aspects of debt management (Central Asian republics)	108 665	510 000	40 208	658 873	45 547	1 131	46 678	612 195
Foundation for advanced studies on international development – course on international organizations	2 328	17 107	2 620	22 055	15 000	2 230	17 230	4 825
Training programme in financial resources for economic and social development (Mongolia)	4 556	—	428	4 984	—	—	—	4 984
Associate expert (Austrian contribution)	62 682	—	6 249	68 931	—	—	—	68 931
United Nations Environment Programme (UNEP)/UNITAR training programme on the implementation of the London Guidelines	714 747	751 935	202 372	1 669 054	982 890	262 089	1 244 979	424 075
Geographic information systems for natural resource and environment management	(3 055)	—	—	(3 055)	—	—	—	(3 055)
Associate expert (German contribution)	7 171	—	(6 777)	394	—	—	—	394

Projects	*Fund balance 1 January 1997*	*Income from grants*	*Other income and adjustments*[a]	*Funds available*	*Expenditure*			*Fund balance 31 December 1997*
					Disbursements[b]	*Unliquidated obligations*	*Total expenditure*	
Peacekeeping videos training programme	5 819	6 300	19 103	31 222	22 172	4 671	26 843	4 379
Global resources information database/UNEP Arendal "Unité d'appui au programme Observatory of the Sahara and the Sahel (OSS)/UNITAR" (Systèmes d'informations intégrées sur l'environnement)	(13 741)	—	13 741	—	—	—	—	—
Associate expert (Netherlands contribution)	5 218	—	490	5 708	—	—	—	5 708
National Aeronautics and Space Administration (NASA)/UNITAR programme	(15 094)	—	—	(15 094)	—	—		(15 094)
UNITAR training programme on environmental negotiation and dispute resolution	49	—	5	54	—	—	—	54
Research and training in natural resource evaluation and environment management	(43 369)	—	—	(43 369)	—	—	—	(43 369)
Training programme in environmental law and policy	1 089	—	101	1 190	—	—	—	1 190
UNITAR Centre on Heavy Crude and Tar Sands Programme	261 404	—	9 488	270 892	216 263	41 439	257 702	13 190
Sixth Conference on Heavy Crude and Tar Sands	2 132	—	201	2 333	—	—	—	2 333
UNEP-Caribbean/UNITAR training programme on the analysis of changing coastal/land use patterns	437	—	41	478	—	—	—	478
Transportation management training programme	20 628	—	1 936	22 564	—	—	—	22 564
Training project on the implementation of the prior informed consent procedure in countries of eastern, southern, central and western Africa	12 310	—	(9 008)	3 302	—	—	—	3 302
Environmental Protection Agency/ International Programme on Chemical Safety/Pollutant Release and Transfer Register pilot studies	226	—	(226)	—	—	—	—	—

Projects	Fund balance 1 January 1997	Income from grants	Other income and adjustments[a]	Funds available	Expenditure			Fund balance 31 December 1997
					Disbursements[b]	Unliquidated obligations	Total expenditure	
Training programme in legal aspects of debt and financial management (Central Asian republics and sub-Saharan Africa)	148 629	232 961	32 523	414 113	181 180	47 978	229 158	184 955
Training programme in environmental information systems for developing training capacities in the United Republic of Tanzania and Uganda	8 668	—	41 275	49 943	—	—	—	49 943
Institute for Public Studies/UNITAR international conference on the United Nations Transitional Authority in Cambodia (UNTAC) (Singapore, 2–4 August 1994)	11 824	50 000	2 048	63 872	59 093	3 270	62 363	1 509
AFRICAGIS Expo, 1995	(819)	—	4 755	3 936	—	—	—	3 936
European Community/Profile (Chemicals)	1 223	—	(1 223)	—	—	—	—	—
Culture Origin Research of Development Process (L'Erigene)	17	—	55 995	56 012	—	—	—	56 012
Associate expert (German contribution)	6 951	—	(1 830)	5 121	1 635	879	2 514	2 607
"Unité d'appui au programme OSS/UNITAR" (Systèms d'informations intégrées sur l'environnement) (German Agency for Technical Cooperation contribution)	15 680	—	(9 494)	6 186	—	—	—	6 186
"Unité d'appui au programme OSS/UNITAR" (Systèms d'informations intégrées sur l'environnement) (World Resources institute contribution)	553	—	(547)	6	—	—	—	6
"Unité d'appui au programme OSS/UNITAR" (Systèms d'informations intégrées sur l'environnement) (contribution of Ministry of Cooperation, France)	(21 643)	—	28 984	7 341	—	—	—	7 341
AFRICAGIS 1995 programme	2 937	—	6 169	9 106	—	—	—	9 106
International Court of Justice/UNITAR seminar	116 762	—	9 114	125 876	115 573	—	115 573	10 303
Conflict prevention research	142	—	13	155	—	—	—	155
Capacity-building	37 382	—	3 740	41 122	—	—	—	41 122
Climate change training programme	1 547	—	145	1 692	—	—	—	1 692

Projects	*Fund balance 1 January 1997*	*Income from grants*	*Other income and adjustments*[a]	*Funds available*	*Expenditure*			*Fund balance 31 December 1997*
					Disbursements[b]	*Unliquidated obligations*	*Total expenditure*	
Project Mercator	1 760	—	608	2 368	—	—	—	2 368
Seventh Conference on Heavy Crude and Tar Sands, Beijing	173 240	—	9 535	182 775	53 966	47 733	101 699	81 076
Associate expert (German contribution)	73 780	86 261	68 964	229 005	68 913	—	68 913	160 092
UNITAR training programme with the Eastern and Southern African Institute for Debt Management	4 953	—	455	5 408	244	—	244	5 164
Climate change training programme – phase II	58 776	403 236	32 058	494 070	403 815	81 403	485 218	8 852
Associate expert (German contribution)	85 539	98 805	8 239	192 583	75 513	12 141	87 654	104 929
Systems d'information de l'Institut d'economic rurale au Mali	5 504	—	82	5 586	5 263	1 699	6 962	(1 376)
Pilot training to strengthen municipal capacities in management of information systems (Habitat)	255 008	97 718	12 449	365 175	198 143	42 399	240 542	124 633
Training programme on the application of environmental law	—	277 593	(2 305)	275 288	151 807	11 527	163 334	111 954
Capacity-building programme in financial management for the Palestinian Authority	169 784	149 450	10 624	329 858	155 691	5 496	161 187	168 671
Systèmes d'informations intégrées sur l'environnement	—	261 985	(9 377)	252 608	229 631	46 001	275 632	(23 024)
Information for development programme	—	61 000	2 142	63 142	2 816	3 276	6 092	57 050
United Nations/UNITAR fellowship programme in international law, 1997	—	139 497	2 685	142 182	126 558	8 889	135 447	6 735
Operation Diderot	—	36 244	828	37 072	12 202	2 844	15 046	22 026
National School of Administration, Rwanda	—	—	16 282	16 282	4 478	—	4 478	11 804
Application of Environmental Law – five East African countries	—	—	54 135	54 135	—	—	—	54 135
Telecommunication pour le developpement au Gabon	—	48 727	1 790	50 517	429	2 426	2 855	47 662
Second International Conference on Heavy Crude and Tar Sands	(60 690)	—	—	(60 690)	—	—	—	(60 690)
Strategy for the future of Africa	(140 544)	—	—	(140 544)	—	—	—	(140 544)
Centre on Small Energy Resources, Italy	7 200	—	678	7 878	—	—	—	7 878
World Social Prospects Association	(4 694)	—	—	(4 694)	—	—	—	(4 694)

Projects	Fund balance 1 January 1997	Income from grants	Other income and adjustments[a]	Funds available	Expenditure			Fund balance 31 December 1997
					Disbursements[b]	Unliquidated obligations	Total expenditure	
Strategies for the future of Latin America	(40 749)	—	—	(40 749)	—	—	—	(40 749)
Programme on training officials from Côte d'Ivoire	(21)	—	—	(21)	—	—	—	(21)
UNITAR/UNDP/City University of New York training programme in information technology for countries members of the Association of South-East Asian Nations	30	—	2	32	—	—	—	32
Training workshop in multilateral economic negotiations for senior civil servants in Viet Nam	(5 777)	—	—	(5 777)	—	—	—	(5 777)
Junior professional officer, New York	11 295	—	(7 184)	4 111	—	—	—	4 111
Junior professional officer, New York	34 224	—	(32 346)	1 878	—	—	—	1 878
Economic and social history of the United Nations	(12 298)	—	—	(12 298)	—	—	—	(12 298)
Special Fund account for project promotion and contingencies	(2 486)	—	—	(2 486)	—	—	—	(2 486)
Occidental College semester at the United Nations programme, 1992	(1 378)	—	—	(1 378)	—	—	—	(1,378)
UNITAR/Clark Atlanta University, semester at the United Nations programme, 1992	(674)	—	—	(674)	—	—	—	(674)
New York seminar on peacekeeping and simulation exercise	(13 904)	—	—	(13 904)	—	—	—	(13 904)
Total	**2 486 261**	**3 822 154**	**724 496**	**7 032 911**	**3 695 664**	**769 464**	**4 465 128**	**2 567 783**

[a] Comprises interest income, exchange gain and loss, miscellaneous income, prior year adjustments and transfer between projects.
[b] Including programme support cost of $425,787.

Notes to the financial statements

Note 1
The United Nations Institute for Training and Research and its activities

UNITAR was established in 1965 as an autonomous body within the United Nations with the purpose of enhancing the effectiveness of the Organization through appropriate training and research. UNITAR is governed by a Board of Trustees and is headed by an Executive Director. The Institute is supported by voluntary contributions from governments, intergovernmental organizations, foundations and other non-governmental sources.

UNITAR develops, improves and extends training programmes in the fields of international affairs management and in economic and social development. The Institute's functions may be summarized as follows:

- To conduct training programmes in multilateral diplomacy and international cooperation for diplomats accredited to the United Nations and national officials involved in work related to United Nations activities;
- To carry out a wide range of training programmes in the field of social and economic development, generally at the request of Governments, multilateral organizations, and public and private development cooperation agencies;
- To establish and strengthen cooperation with faculties and academic institutions, in particular for the development of research on and for training.

Current UNITAR training programmes are presented under the following titles:

- Multilateral diplomacy, negotiations and conflict resolution
- Preventive diplomacy, peacemaking and peacekeeping
- Environmental and natural resources management
- Debt and financial management (legal aspects)
- Energy management
- Disaster control

UNITAR receives requests for programme design and implementation from UNDP, UNEP and other United Nations bodies and the secretariats of United Nations conventions (such as those dealing with climate change, desertification and hazardous waste). UNITAR has also developed a training programme on the London Guidelines, including toxic chemicals and pollutant release transfer register. The Institute views this as a part of its mission to be an effective training arm of the United Nations. With new cooperative links being established with agencies and organs of the United Nations system, with governmental and private development cooperation agencies and with training institutes in industrialized, developing and countries in transition in Africa, Asia, Latin America and the Caribbean and Europe, the Institute is becoming an increasingly important provider of training to a large constituency in different sectors.

Note 2
Summary of significant accounting policies

The following are the significant accounting policies of UNITAR:

(a) As provided in article VIII of its statute, the Institute's accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Administration and Management or the Controller. They also take fully into account the common accounting standards for the United Nations system, as adopted by the Administrative Committee on Coordination. The General Assembly has taken note of these standards in its resolution 48/216 C of 23 December 1993. The United Nations follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified and adopted by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;

(v) Financial statements should show corresponding figures for the preceding period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) Fund accounting. The Institute's accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly or the Executive Director. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature;

(c) The financial period of the Institute consists of one calendar year;

(d) In accordance with article VIII, paragraph 3, of the revised statute of UNITAR, income is recognized on a paid-in contributions basis;

(e) Translation of currencies. The accounts of the Institute are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller under delegation of authority from the Under-Secretary-General for Administration and Management, shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the

statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation significantly different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be presented quantifying the difference;

(f) The Institute's financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services;

(g) Pledged contributions. Pledges are recorded as deferred income on the basis of a written commitment by a prospective donor to pay a monetary contribution at a specific time or times. Only paid pledges are recorded as income;

(h) Cash and investments. Funds on deposit in interest-bearing bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash;

(i) Fixed assets. Maintenance and repairs are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendables and leasehold improvements are not included in the assets of the Institute. Acquisitions are charged against budgetary accounts in the year of purchase;

(j) The expenditures do not include possible costs to cover contingencies under appendix D to the United Nations Staff Rules, for personnel financed under resources obtained from voluntary contributions to the UNITAR General Fund and the Special Purpose Grants Fund. The term "expenditure" designates total obligations incurred, whether liquidated or unliquidated;

(k) Miscellaneous income:

(i) The net income realized from the revenue-producing activities is reported as miscellaneous income;

(ii) Refunds of expenditures charged to the prior financial periods are credited to miscellaneous income;

(iii) Moneys accepted in respect of which no purpose is specified have been treated as miscellaneous income;

(iv) On the closing of the accounts at the end of each financial period, if the balance of the exchange accounts reflects a net loss on exchange, it is charged to the budgetary account. If there is a net gain, this is credited to miscellaneous income;

(v) The proceeds from the sale of surplus property are credited to the miscellaneous income of the respective funds.

(l) The trust fund statements reflect the "clean surplus theory" by processing adjustments through the current income and expenditure accounts. Material adjustments for prior periods are, however, shown in the financial statements below the results of the current period so as not to distort them;

(m) Income tax refund policy. UNITAR salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member;

(n) Unliquidated obligations for the current period in respect of UNITAR General Fund and Special Purpose Grants Fund activities remain valid for 12 months following the end of the year to which they relate.

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